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ARGENTINA-UK: Reducing Tensions

Buenos Aires and London continue to search for ways to normalize relations, but neither is likely to show any flexibility on the sovereignty of the Falkland Islands. [REDACTED]

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[REDACTED] Press reports yesterday from Buenos Aires state that government leaders will again offer to put a formal end to hostilities in exchange for demilitarization of the Falklands and renewed talks under UN auspices on sovereignty. [REDACTED]

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A British official told the US Embassy in London that Prime Minister Thatcher contemplates a gradual warming of relations. Foreign Secretary Howe yesterday rejected a UN role and called again for a formal cessation of hostilities. [REDACTED]

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The UK's representative to NATO confirmed that "quiet" talks with Buenos Aires will begin soon. He did not mention formal Argentine acknowledgment of a cessation of hostilities as a condition for the discussions. [REDACTED]

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Comment: President Alfonsin's strategy offers no substantive change in Argentina's position. It is intended to put the UK on the diplomatic defensive and to encourage domestic opponents of Thatcher's policy on the Falklands. Alfonsin's intention to accept a settlement of the Beagle Channel dispute with the Chileans, which is upsetting civilian and military nationalists, limits his maneuvering room on the issue of the Falklands. [REDACTED]

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The British apparently are trying to persuade the Falklanders that the conciliatory gestures London is making are in their interest. Thatcher almost certainly would want the Argentines to guarantee privately that hostilities would not be resumed. To demonstrate flexibility and get initial talks under way, however, she may be willing to forgo for a short time a public Argentine declaration on the end of hostilities. [REDACTED]

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Thatcher continues to oppose resuming negotiations on sovereignty. She used her recent trip to Rome to head off efforts by third parties to mediate the dispute. Thatcher believes that only long-term efforts by the Argentines to win over the islanders will make negotiations on sovereignty possible. [REDACTED]

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USSR-UK-WEST GERMANY: Encouraging Opposition to INF

The Soviets recently have used a variety of tactics to indicate their continuing concern about INF deployments in the UK and West Germany. [redacted]

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Last week British Liberal Party leader Steel was accorded a high-level reception in Moscow. During his discussions with Steel, Central Committee International Department chief Ponomarev criticized the US and was inflexible on arms control issues. Although Ponomarev also dismissed Prime Minister Thatcher's recent calls for an improved East-West dialogue as a "cosmetic operation," USA Institute head Arbatov and other officials were more positive about bilateral relations. [redacted]

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Comment: British Labor Party leader Kinnock plans to visit Moscow soon, and the Soviets are likely to give him similar treatment. Kinnock probably wants to use the visit to strengthen his credentials as a statesman. [redacted]

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The Soviets also are likely to seek other ways to show their approval of the West German Social Democrats' opposition to the Kohl government's stand on INF. The Social Democrats enjoy the role of an intermediary with the USSR, and in the past they have been receptive to Moscow's approaches. [redacted]

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Although the Soviets are determined to show their displeasure about the deployments, they probably will avoid steps that would do serious damage to their relations with London and Bonn. Thatcher and Kohl are likely to continue efforts to maintain a dialogue with Moscow. Obvious attempts by the Soviets to appeal to their political opponents, however, could backfire among British and West German voters. [redacted]

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ITALY: Christian Democratic-Communist Relations

The apparent thaw in relations between the Christian Democrats and the Communists may reflect renewed interest in developing limited cooperation. [redacted]

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US Embassy officials have noted an improvement in relations between the two parties since the meeting of the Communist Party's National Directorate last month. At that time, Communist leaders pledged stronger opposition to the Socialist-led government, but they were cautious in their treatment of the Christian Democrats. [redacted]

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The Communists concurred, for example, with Christian Democratic secretary DeMita's call for an interparty pact to promote the reform of governmental institutions. They also called on their followers to seek common ground with Catholic forces on issues like INF. [redacted]

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A number of Christian Democratic leaders have responded positively to these overtures. Moreover, the improvement in relations has led to renewed press speculation about prospects for Christian Democratic-Communist cooperation at the local and regional level. Since the meeting of the Communist Directorate, two prominent Christian Democratic leaders in Sicily have hinted that an alliance with the Communists should be formed in the regional government to combat the Mafia. [redacted]

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Comment: Craxi, who has been in office for five months, probably worries that the issues troubling his governing coalition will become more divisive. He is likely to have noticed the points of similarity between the recent Christian Democratic-Communist dialogue and the contacts between the two parties that preceded their limited collaboration during 1976-79. At this stage, however, the process of rapprochement between the Christian Democrats and the Communists still poses serious problems for both and, if it proceeds, it will move slowly. [redacted]

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BOLIVIA: President's Position Weakening

President Siles's ineffectiveness is providing his military and civilian opponents with new arguments in their schemes to oust him.

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The US Embassy reports that Siles's recent capitulation to demands by labor for higher wages and other concessions will undercut economic stabilization efforts and antagonize the private sector. Some business leaders reportedly are looking for a successor to Siles. In addition, his failure to change any of the important portfolios in a cabinet reorganization in January led the Congress to censure his administration for the second time in two months.

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The President recently relieved some pressure on his government by assigning armed forces Chief of Staff Anez, the principal coup plotter, to a foreign post. Anez's successor has already told the US defense attache, however, that he would try to oust Siles sometime during the next few months.

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Siles is aware of the continuing threat

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Comment: Siles's opponents have been deterred so far by their inability to unite and by US support for the President, but his poor performance could become an overriding consideration in the next month or two. The military's dominance historically has ensured bloodless coups, but an attempt to oust Siles now could produce widespread violence.

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SAUDI ARABIA-US-LEBANON: Calls for US Withdrawal

Crown Prince Abdallah is taking advantage of King Fahd's absence from Saudi Arabia to criticize the US military presence in Lebanon. The Saudi press reported yesterday that Abdallah, in a meeting with visiting US businessmen last Sunday, called for an early withdrawal of US forces from Lebanon. US Embassy officials say the press reports contradict Abdallah's actual remarks, however, in which he emphasized his opposition to a premature pullout of US forces.

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Comment: Abdallah previously has used Fahd's absences to endorse publicly positions contrary to official policy.

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Fahd will be annoyed, and he probably will issue a "correction." During future trips abroad, the King is likely to try to maintain tighter control over domestic media.

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EGYPT-SUDAN-ETHIOPIA: Mediation Effort

The US Embassy in Addis Ababa reported yesterday that Egypt apparently has accepted an Ethiopian invitation to mediate a reduction in the current border tensions between Ethiopia and Sudan. The Egyptian Ambassador in Addis Ababa told US officials that Egypt has offered to send Minister of State for Foreign Affairs Ghali to Ethiopia next Wednesday to discuss the situation. The Ambassador also said that the Ethiopians had requested a meeting between Chairman Mengistu and President Mubarak but that Egypt was deferring a decision until it could gauge Ethiopian intentions.

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Comment: Egypt is likely to see mediation as an opportunity to alleviate one of the security problems facing its close ally Sudan and to develop warmer relations with Ethiopia. The strategic importance to Egypt of Nile River water underlies its keen interest in having friendly ties with both countries. Past mediation efforts have been unsuccessful, however, and Ethiopia probably has no intention of making any significant concessions to Sudan.

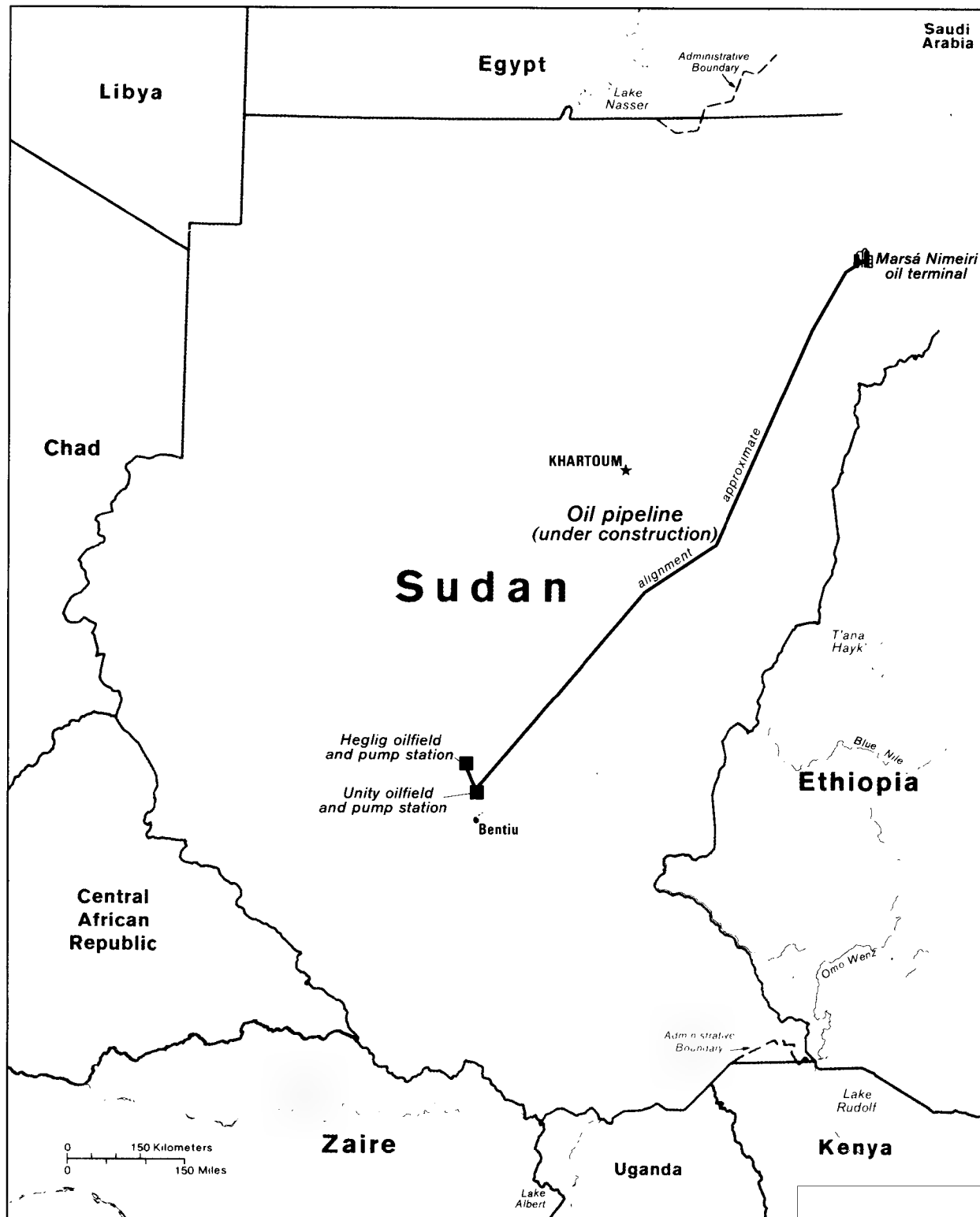
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SUDAN: Rebel Activity

Southern rebels yesterday attacked an important Chevron base camp in the south and killed three oil exploration workers and wounded seven others. [REDACTED]

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[REDACTED] In the past two months, two workers were kidnaped and several were robbed, and many are leaving the country. Army units have been unable to guard against the increasingly effective attacks. [REDACTED]

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Comment: Some southern dissidents are making Chevron a target because the company and the government are constructing a pipeline from the southern oilfields to the Red Sea. Many southerners believe the revenues from the project will benefit only the north. Increased violence in the south could undermine Khartoum's recent efforts to reconcile its differences with southern leaders. [REDACTED]

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ISRAEL: Possible Wage-Price Freeze

Israeli officials say the government intends to try to negotiate a wage-price freeze with the Histadrut, the large trade union organization, in order to reduce the inflation rate of nearly 200 percent. The officials add that, if an agreement cannot be reached, the government may legislate a freeze. [REDACTED]

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Comment: Union officials are certain to resist the plan because they believe it would put a disproportionate burden on wage earners. Moreover, in view of the Histadrut's ties to the Labor Party, there is little political incentive for it to reach an accommodation with the government. A freeze would do nothing to remedy the underlying causes of inflation, however, and prices would continue to soar after a freeze were lifted. [REDACTED]

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USSR-ROMANIA: Differences Unresolved

Foreign Minister Gromyko's discussions with Romanian leaders in Bucharest this week evidently failed to resolve differences on INF and other issues. The communique stated that the two sides "exchanged views" on bilateral and multilateral cooperation and on important international issues, especially regarding the situation in Europe. It characterized the talks as taking place in a "businesslike and comradely atmosphere." On the day of Gromyko's departure, President Ceausescu—in a dinner toast for visiting Prime Minister Trudeau—called on both the USSR and the US to halt deployment of nuclear missiles in Europe and resume negotiations [redacted]

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Comment: The language in the communique suggests there was strong disagreement, probably over bilateral economic relations, cooperation within CEMA, and Romania's position on INF. Ceausescu's indirect criticism of Soviet countermeasures in his toast to Trudeau suggests the Romanians stood their ground on INF. The Romanians also probably again requested—apparently without success—more favorable economic treatment. [redacted]

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USSR-NORWAY: Reactions to Expulsions

The Soviet Embassy in Oslo on Wednesday strongly denied Norwegian charges that the five expelled Soviet diplomats were involved in espionage, and it warned that the USSR could respond in kind. In addition to the five diplomats—who included a counselor identified by the Norwegians as the KGB resident—Oslo is barring four others from reentering Norway and has informed Moscow it cannot replace the five who have been expelled. The Norwegian parliament informed the Soviet Embassy yesterday that a planned parliamentary visit to Moscow this summer has been canceled. At the same time, however, government sources said that visits to Norway by leading Soviet officials and talks on matters of mutual interest should take place as scheduled. [redacted]

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Comment: Although the USSR did not retaliate for the expulsion of seven diplomats from Norway in 1977, the fact that Oslo has for the first time set a limit on the size of Soviet diplomatic representation may prompt Moscow to expel some Norwegians. The Soviets want to avoid further damaging their image in the Nordic region, however, especially while the Conference on Disarmament in Europe is in session in Stockholm. [redacted]

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NETHERLANDS-CHINA: Improving Diplomatic Ties

The Dutch and the Chinese have agreed to exchange ambassadors and to normalize relations that have been strained since 1981, when The Hague signed an arms deal with Taiwan. The Dutch cabinet decided in December not to sell additional military equipment to Taipei, but the Netherlands will honor its commitment to deliver two submarines to Taiwan by 1987. The Chinese have offered to place commercial orders exceeding the value of the deal with Dutch firms, and in coming months the Dutch Secretary of Trade and three trade delegations plan to visit Beijing. [REDACTED]

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Comment: The Hague is anxious to reduce the economic impact of the cancellation of the deal with Taiwan, which could aggravate a 17-percent unemployment rate. The prospect of opening up the large Chinese market is likely to have played a key role in the decision to abrogate the agreement with Taiwan. If China fails to increase its purchases from the Netherlands significantly, however, the Dutch Government probably will reassess its decision not to expand arms sales to Taiwan. [REDACTED]

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WESTERN EUROPE-TURKEY: Showdown Averted

The Parliamentary Assembly of the Council of Europe concluded its session prematurely yesterday without debating the issue of the Turkish delegation's credentials. A strike by the International Association of Conference Interpreters forced the session to end before the question of seating the Turks could reach the floor. [REDACTED]

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Comment: Although many delegates were relieved at not having to deal with the credentials controversy, the issue will come up again at the Assembly's session in May. At that time, however, local elections probably will have taken place. The elections may strengthen Ankara's case for participation in the Assembly and reduce demands for a debate. [REDACTED]

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NICARAGUA: Church-State Friction

The Sandinistas' refusal to accept teachers appointed by the new director of a Catholic high school in Managua has increased tension between the church and the state. [] the former proregime director—realizing that he would not be retained—had brought on the problem by firing several teachers and hiring 17 pro-Sandinistas, including at least one Cuban. The new director replaced these teachers, but the Ministry of Education insists that the school reinstate them. The Catholic bishops' conference has protested the government's interference, but Junta member Ramirez has warned that the state will take over the school if the church closes it. []

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Comment: The church hierarchy considers the government's action to be a direct threat to the autonomy of church schools and, by extension, to the church itself. The regime's response indicates that its claimed dialogue with the church has not resolved any fundamental problems between the two sides. Moreover, the dispute could cause other political problems for the Sandinistas. For example, the opposition newspaper, *La Prensa*, refused to publish twice recently because several stories on the incident were censored. []

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SOUTH AFRICA: Urban Violence

The homes of four black township officials in the Johannesburg area, including the new mayor of Soweto, have been firebombed in recent weeks. The attacks follow controversial black local elections held late last fall, in which only 11 percent of the eligible voters in Soweto participated. []

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Comment: The attacks probably were carried out by local black youths, who regard local authorities as ineffective stooges of the white government. Tensions in the black townships have been heightened by large-scale unemployment, increases in rent and transportation costs, soaring rates of violent crimes, and the exclusion of blacks from the new constitution, which grants limited political rights to Coloreds and Indians. An increase in urban unrest is likely before the Colored and Indian elections for the new parliament, tentatively scheduled for this spring. The banned African National Congress and other groups opposed to the constitution also probably will be more active. []

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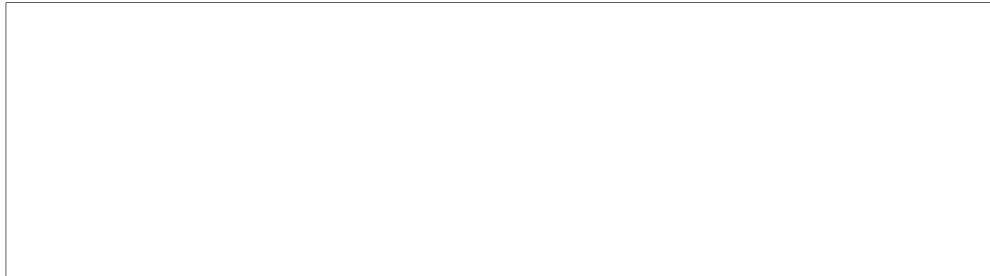
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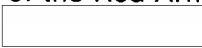
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INTERNATIONAL: Terrorist Watch

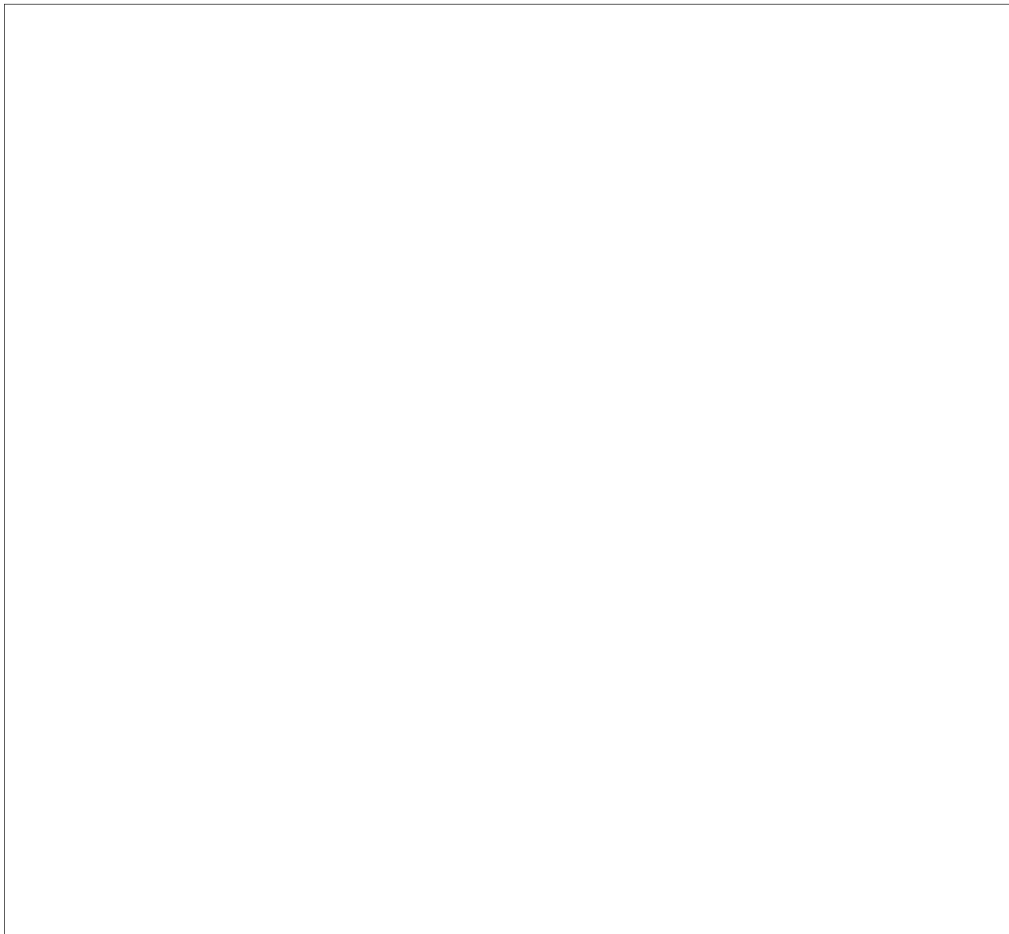
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- In West Germany, the opening of the trial of two leaders of the Red Army Faction could provoke violence. The two are considered among the most dangerous West German terrorists. They are being tried for nine murders and several attempted murders, including the attack in 1981 against the commander of the US Army in West Germany. Previous trials of key members of the Red Army Faction have been marked by violence. 

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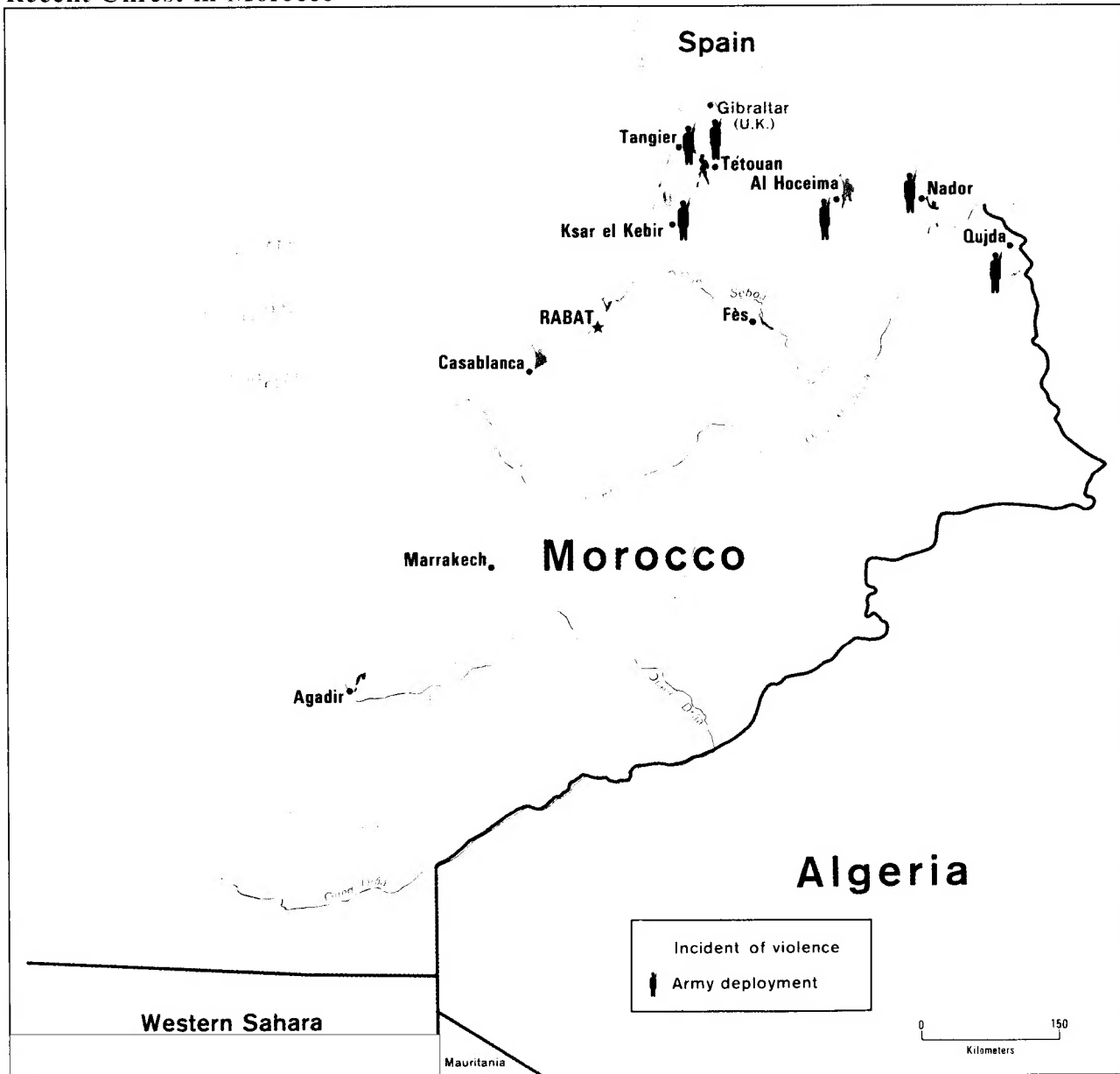
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Recent Unrest in Morocco



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Special Analysis

MOROCCO: Implications of Recent Violence

The recent incidents of violence—mostly involving students—are the first serious manifestations of discontent over the government's austerity measures and deteriorating social services. Forceful action by the Army and the security forces and King Hassan's promise not to increase further the price of food staples have brought a superficial calm to the major cities. The underlying economic and social problems remain, however, and Rabat probably will look to Washington for increased assistance.

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Hassan has publicly blamed the disorders on foreign agents, but few Moroccans believe him. The Jewish community in Tangier is worried that the King's reference to "Zionist secret agents" may provoke a reaction against Moroccan Jews.

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National labor unions did not participate in the demonstrations. Moroccan political parties supported the regime's efforts to calm the population.

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The use of regular Army units untrained in riot control techniques was one reason for the high casualties suffered—perhaps 100 dead and several hundred wounded. There is considerable resentment over the extensive use of force.

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Isolated student protests have continued since the security crackdown and the King's speech. Hassan has reacted by having 300 students in Rabat expelled from school.

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Economic Dilemma

Drought and a weak market for phosphates—the country's largest export—required Rabat to adopt stiff austerity measures in August 1983. The actions have trimmed inflation and reduced balance-of-payments and budget deficits, but they also have slowed economic growth and development, increased unemployment in urban areas to more than 25 percent, and have provoked unrest.

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The regime has taken steps to ease the effects on the poor, at least temporarily. The austerity measures, however, have shaken the confidence of the middle and upper classes. [REDACTED]

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Efforts to reschedule about \$1.5 billion in foreign debts due in 1984 are nearly complete. Additional rescheduling, however, probably will be necessary in 1985 and 1986. Current foreign exchange reserves of about \$40 million are adequate to cover less than a week of imports. [REDACTED]

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Outlook

Hassan will continue to face growing domestic challenges. The economy—even under the best management—will take years to recover. Students, the poor, and the unemployed are likely to react to the rising cost of living, official corruption, and lack of jobs with periodic acts of violence. Over half the population is under 20, and young people may be increasingly prone to stage protests. [REDACTED]

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Islamic fundamentalist agitators also probably will be more active. There will be criticism of the King's ostentatious living and Western ways and the cost of the Saharan war. [REDACTED]

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The large and fairly effective security establishment is likely to be able to maintain control for the near term. Prolonged unrest nevertheless could test the loyalty of younger security personnel. [REDACTED]

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The recent disturbances will force the King to make some hard choices. He may have to adopt a more expansionary economic program in order to deal with unemployment. The King's promise to hold down prices on basic commodities, however, will jeopardize the government's financial stabilization program and the standby loan it has obtained from the IMF. [REDACTED]

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Some Moroccans are now questioning expanded relations with the US because they believe the country is not getting enough US assistance. Prime Minister Karim-Lamrani, who will visit Washington late this month, probably will argue that the US has to do more for Morocco. [REDACTED]

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